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Mission Neighborhood Centers, Inc.
Did Not Use City Funds
For Political Purposes

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Office of

FINANCIAL AUDITS DIVISION



January 27, 2005
03052

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Mission Neighborhood Centers, Inc.
Did Not Use City Funds
For Political Purposes

**FINANCIAL AUDITS
DIVISION**



January 27, 2005
03052



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

January 27, 2005

Audit Number 03052

Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

President and Members:

The Office of the Controller (Controller) presents its report concerning the audit of Mission Neighborhood Centers, Inc. (Mission) and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity. The audit revealed that Mission did not use for political activity any of the \$230,058 of city funds that it received under its grant with the Department of Aging and Adult Services (department).

We conducted this audit to meet the San Francisco Administrative Code's requirement that the Controller audit annually at least 10 persons or entities that enter into contracts, grant agreements, or loan agreements with the City. The Controller is to ensure that the persons or entities comply with Section 12G of the code, which prohibits the use of city funds for political activity. The code defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

According to its grant, Mission was to establish and operate a senior center and to provide specified services to seniors and legal permanent residents. Although the grant amount was \$236,200, Mission received \$230,058, spent \$227,480, and retained the balance of \$2,578 through May 31, 2004.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Harrington".

Ed Harrington
Controller

INTRODUCTION

BACKGROUND

To fulfill the requirements of the San Francisco Administrative Code (Administrative Code), Section 12G, we randomly selected Mission Neighborhood Centers, Inc. (Mission) as the subject for one of our 10 reviews of contract, grant, or loan recipients that must observe the Administrative Code's ban on the use of city funds for political activity. Each year, to ensure compliance with this ban, the Administrative Code requires us to audit at least 10 persons or entities that enter contracts, grant agreements, or loan agreements with the City and County of San Francisco (City). This year, we randomly selected 10 people or entities, including Mission, that received city funds from January 1, 2003, through June 30, 2003, through a contract, grant, or loan that incorporated language banning the use of city funds for political activity.

The prohibition on the use of city funds for political activity became part of the Administrative Code after voters in the City passed Proposition Q on November 5, 2002. The former proposition is now Section 12G of the Administrative Code, which defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure. Section 12G also requires that all contracts, grant agreements, and loan agreements incorporate language that delineates the prohibition. According to the Office of the City Attorney, persons and organizations receiving contracts, grants, and loans from the City are not subject to Section 12G unless the prohibition appears in their agreements. According to a deputy city attorney, agreements typically did not begin to include the prohibition until after January 2003.

Mission, the subject of this review, had a grant from the Department of Aging and Adult Services (department) for \$236,200 to establish and operate a senior center in the Excelsior district of San Francisco, to provide services that maintain or improve the well-being of older persons, and to provide services for legal permanent residents. Through May 31, 2004, Mission received \$230,058 of the grant funds, and based on Mission's accounting records, spent \$227,480 for expenses related to establishing and operating a new senior facility and providing services to seniors. Mission has retained the remaining \$2,578 of unspent grant funds.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Mission inappropriately expended any city funds participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

To conduct the audit, we identified that Mission had a grant with the City that included the prohibition of using city funds for political activity. From January 1, 2003, through May 31, 2004, we identified all payments that the City made to Mission for providing services under the grant during the audit period. At our request, Mission prepared a schedule of expenses incurred under the grant through May 31, 2004. Using this schedule, we reviewed some of Mission's accounts and a sample of expenses that Mission incurred during the audit period to verify that it did not spend city funds for purposes related to political activity. In addition, we assessed Mission's procedures for approving and recording expenditures, and reviewed its federal tax return for fiscal year ending June 30, 2003. We also asked Mission staff whether they had spent city or other funds for purposes that could relate to political activity. Finally, we searched the San Francisco Campaign Finance Database and the State of California's Cal-Access database, which reports campaign contributions, to find any instances that Mission made political contributions.



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AUDIT RESULTS

MISSION COMPLIED WITH ITS GRANT REQUIREMENT NOT TO USE CITY FUNDS TO PAY FOR POLITICAL ACTIVITIES

Mission Neighborhood Centers, Inc. did not use any of the \$230,058 of city grant funds that it received to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure. In auditing its accounting records related to Mission's grant and reviewing its Internal Revenue Service's *Return of Organization Exempt From Income Tax* (Form 990), we found no evidence of expenditures for political activities. In addition, Mission's management informed us that the agency did not make such expenditures. Furthermore, the City's Campaign Finance Database and the State of California's Cal-Access database did not show any evidence that Mission made any political contributions from January 1, 2003, through May 31, 2004, which was the period we reviewed.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager
Edwin De Jesus

cc: Mayor
Board of Supervisors
Civil Grand Jury
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